

~~LATIN AMERICA~~

## USAID EXPERIENCE WITH PVO CO-FINANCING PROJECTS

Development Information Division of PPC/CDIE is reviewing USAID's experience with PVO co-financing projects world-wide to identify guidelines for project design. In FY 1989 A.I.D. allocated almost \$456 million in grants and contracts to PVOs not including PL 480 Title II commodities. PVOs which work at the community level are invaluable in furthering A.I.D.'s mandate to encourage grassroots groups to participate in their own development initiatives. Considering the constraints on mission staff and budgets, PVOs can be cost-effective managers of projects as well.

In a co-financing project the PVO must contribute at least 25 percent of the project funds from non-A.I.D. sources. Although this requirement tended to favor USPVOs or large indigenous PVOs (IPVOs) in the past, many IPVOs are now participating in these projects. This has hindered many missions' ability to closely monitor PVO activities. In countries where there are thousands of potential beneficiaries to be reached or the area to be covered is extensive, efficient management of PVO projects becomes more worrisome.

### Management Options in A.I.D./PVO Projects

To facilitate management responsibilities in dealing with many medium and small IPVOs, some missions have created or support existing organizations which manage discrete PVO sub-projects for a mission. These "umbrella organizations" (UOs) are USPVOs or IPVOs which assume management responsibilities for all or part of the PVO activity supported by a mission. Some PVO consortia are expected to assume a representational function serving as a coalescing entity for the PVO community as well as manage sub-projects. Alternatively, a mission may prefer to monitor directly each PVO involved in co-fi projects and supervise the entire project cycle.

The survey will identify factors conducive to successful PVO co-financing projects by comparing the experience of each type of management mode in:

- a) quality of sub-project selection, monitoring, evaluation
- b) quality of training and technical assistance to PVOs
- c) mission management responsibilities.

These issues concern USPVOs as well as IPVOs although the latter usually lack the sophisticated project and financial oversight ability their US colleagues possess. The projects to be reviewed include those with exclusive use of USPVOs by a mission, those employing IPVOs as well as USPVOs and those where

IPVOs implemented the project. Although comparing the advantages of USPVOs and IPVOs is not a focus of this review, it is a pertinent issue in many countries with capable indigenous PVOs willing and able to assume more project responsibilities.

In four Central American countries A.I.D.'s PVO co-financing projects involved indigenous umbrella organizations either as the exclusive PVO management vehicle or as part of a mission's PVO support strategy. In 1988 the four UOs were evaluated jointly which facilitated comparisons of each mission's experience. The following summary will point out how the structure of an UO and the dynamics of the relationship with USAID, the government and the PVO community affect performance.

### Project management, technical assistance and mission oversight

**Costa Rica-** The mission created an umbrella organization (ACORDE) to supervise all their PVO sub-projects and provided it with an endowment to guarantee operating expenses. A USPVO, PACT, was awarded a OPG to assist the mission in establishing ACORDE and provide TA to ACORDE. The excellent relations between the GOCR, the mission and ACORDE facilitated A.I.D.'s purpose of channeling all PVO funds through an intermediary entity. USPVOs have stated their preference to approach the mission directly for US dollar funding, however. ACORDE is a foundation and is not obligated to fund any particular sub-projects proposed by PVOs. (A membership UO would tend to favor proposals from members, some of whom could be on a project-selection committee.)

A Board was chosen by the mission from outside the PVO community to select sub-projects for funding. The advantages of their presumed impartiality must be weighed against possible non-familiarity with development issues. In Costa Rica ACORDE gave priority to productive projects and since they were the mission's exclusive funding agent, social projects were not being funded either by ACORDE or by USAID. There was no effort to fund new and untried ideas from fledgling PVOs which would encourage innovative proposals and strengthen PVOs; an important goal of umbrella organizations. The sub-project selection criteria required modification for such ideas.

ACORDE used M&E to keep track of separate projects but had not designed an impact evaluation system to review overall impact of its collaborative development effort. After funding sub-projects through a variety of PVOs in different sectors, an UO should initiate program wide evaluations. These would not focus on any specific PVO, but rather on the impact of the various approaches.

One of PACT's purposes was to help ACORDE develop expertise in providing technical as well as financial assistance to PVOs. ACORDE was not able to manage the sub-project program and provide

institution-building services as well. It awarded a grant to another PVO federation to carry out these efforts. The decision to contract out most training was intended to lessen disagreements within the PVO community about the appearance of ACORDE as a rival for funding. However, the mission intended ACORDE to be the central PVO entity in the country and by relinquishing TA activities ACORDE forfeited an opportunity to enhance its representational image.

Training courses for a foundation's associate PVOs must be applicable to their diverse development interests and tend to be more general in focus. Because ACORDE funded only productive projects, its tailor-made basic and advanced courses in planning, project preparation and models for the development of small enterprises were especially useful.

Missions choose to work with consortia of PVOs in order to reduce the administrative workload and ensure continuing support of the PVO sector. Thanks to ACORDE's origin as a mission creation, its support from PACT and its enviable financial situation, it has been able to manage the mission's entire PVO funding responsibilities. The issue of a lack of social development funding does require attention, however, if the mission does not want to select and monitor these projects itself.

ASINDES of Guatemala is a membership organization formed by IPVOs to strengthen their position in dealing with the government which was often suspicious of "non-governmental" organizations. Because its members lack similar strategies or development philosophy their ability and willingness to consider ASINDES as an institutional support has been disappointing. PACT reviewed the situation of all consortia of PVOs in the country and determined that none of them was capable of conducting a grant program for the mission. ASINDES was chosen to receive assistance from PACT to serve this function.

Some of ASINDES' members were against accepting USAID funds and the control that PACT would assume. Through an OPG, PACT remained responsible to the mission for the use of grant funds. PACT handled the expenditures in dollars and approved any use of grant funds by ASINDES for local currency costs including the sub-grants to PVOs. The degree of mission supervision through PACT and its ability to control ASINDES' projects has caused dissension.

Its project-related capacity was weak and USAID developed an organization plan to funnel USAID monies to ASINDES' members. A Project Selection Committee composed of several professionals without connections to any member PVO does work effectively. Those members representing social development-oriented PVOs have received forty percent of the grants. Fifty percent went to productive projects and ten percent was used for training of beneficiaries.

ASINDES lacked the capacity to perform financial analyses of its own operations and those of the PVOs it funds. The sustainability of its productive sub-projects is uncertain because most did not use a revolving loan fund nor involve loans from ASINDES or the implementing PVO to the beneficiaries. An innovative mini-grants program was begun to assist small PVOs in project proposal preparation for ASINDES or other donors.

The feelings of mistrust, a lack of a sense of community and widely diverging agendas among ASINDES' members resulted in unsuccessful attempts to determine training and TA needs. These groups remain suspicious of the government and do not wish to make public details of their staff, experience, etc. Members attending general training seminars needed follow-up assistance to address specific sector needs. The Project Analysts at ASINDES continued to provide TA during project design.

ASINDES has made substantial progress in meeting the basic AID objective which was to establish a channel for assisting PVOs and thereby relieving the mission of a sizeable administrative burden. However, due to the inherent difficulties encountered when working with a membership UO whose members are not all in favor of the close ties with the U.S. government, the mission did not foresee ASINDES developing a coordination function within the PVO community. The mission maintains direct funding of PVOs who are not members of ASINDES such as CARE and CRS so there is no incentive to join ASINDES to receive USAID funds.

A.I.D.'s experience with FOPRIDEH of Honduras reveals the tension created when an UO formed to represent and coordinate the PVO community begins collaborating with a mission to fund sub-projects. Some of FOPRIDEH's members were concerned that the original representational function would become secondary. The UO was able to develop a commendable sub-project management capacity and within two years was making loans as well as grants, was no longer subject to mission veto over projects and began funding non-member PVOs. FOPRIDEH prepared a manual for prospective sub-grantees describing monitoring procedures and requires a monitoring plan for each project before an agreement is signed. To improve evaluation of sub-projects FOPRIDEH requires projects to collect data in a standard format to help determine project impact.

FOPRIDEH's success in coalescing and strengthening the PVO community through training and TA is a highlight of the project. Training in fund-raising is especially useful. A PVO able to demonstrate adequate financial management capability has a better chance of attracting donations. A plan to use a OPG to provide training for FOPRIDEH's staff in the U.S. caused dissension among its PVO members who demanded training as well. Now the OPG funds cover training for both FOPRIDEH and staff of affiliate PVOs using Honduran, Central American or US resources and sites. FOPRIDEH charges for sector-specific training given to members

and requires that those trained should train others and submit materials received to FOPRIDEH so that it can copy and distribute them to other organizations.

FOPRIDEH was responsible for reducing the mission's administrative burden and facilitating outreach to small groups which the mission probably would not have accomplished without an UO. When the mission decided on a shift in priorities toward direct funding of FOPRIDEH members who operated in certain sectors, FOPRIDEH had to address its sustainability which had been neglected in the push toward funding sub-projects. The plan was to develop project management skills sufficiently to allow it to continue to manage US and other donors' projects on a fee basis when the A.I.D. institutional-building support ends.

HAVA of Haiti began with 22 large foreign-supported PVO members and later many IPVOS joined. It accepted an OPG from A.I.D. for operating costs, training of members and a sub-projects fund. HAVA wanted to rely on Haitian personnel during its development when possible and long-term TA from an outside organization was not requested.

HAVA prefers to fund beneficiaries directly with grants and credit and places little emphasis on strengthening member PVOs. Some members would prefer to channel funds to end-users, especially credit which could generate fees for them from any profit. There are institutional benefits and costs from HAVA's direct links to beneficiaries. When member PVOs are trained to effectively manage sub-projects, the lessons learned can be disseminated on later projects they manage. HAVA's monitoring responsibilities are substantial because of its involvement with beneficiary groups, outreach to rural areas, and administration of large infrastructure projects through the mission's Title II emergency program. HAVA can make a impressive appeal to donors because of its direct handling of projects which is one avenue toward ensuring future funding.

Priority is given to projects submitted by community-based groups; those which involve women; agriculture and promote formation of base groups. The committee which selects and evaluates projects can contain representatives from member PVOs. HAVA administers an A.I.D. grant to a women's group and women benefit from about 35% of the credit fund. HAVA has an impressive record of providing training which it insists be available to beneficiaries as well as to PVO management.

The mission's objective in assisting HAVA was to strengthen it as an representational body. This was considered important in Haiti because the government has little interest or involvement with individual PVOs. The aim of saving the mission time was never a central purpose. The mission continued to provide support apart from HAVA to PVOs.

**When should a PVO project include an umbrella organization?**

1. To ensure reaching intended beneficiaries and effective monitoring of numerous projects at the local level or in projects involving large numbers in cities or villages spread over great distances when missions have insufficient personnel to do so.
2. To bolster the independence and image of many PVOs especially in countries where the government is unsupportive or hostile.
3. To facilitate reaching many PVOs with management training and institution-building.
4. Encourage linkages with other agencies including governments because USAID support of individual PVOs is less visible.
5. Recent experience has highlighted IPVO umbrella organizations' success in organizing women's activities. (Haiti and Indonesia)

**Issues which missions should note:**

1. The capacity of intermediary PVOs to absorb and disburse large block grants, monitor and evaluate their own activities as well as those of sub-grantees and develop effective relationships with sub-grantees and the host government.
2. Guidelines should be set for types of sub-projects to be funded especially if a mission allows one UO to assume the PVO oversight function.
3. The host government's degree of support of PVO activities can influence a mission's decision to maintain a high-profile attachment to an UO. Such attachment can also hamper fundraising.
4. Possible resentment from USPVOs if a mission requires them to work through an indigenous UO.
5. Sectoral funding and emphasis on productive projects can threaten the institutional roles of UOs.
6. Mechanisms are needed to ensure an UO's financial stability after A.I.D. funding ends; e.g. contracts with A.I.D. and other donors to manage or provide services to PVOs. Fees charged to PVOs for training and loans cannot match the amounts which came from a mission to create and strengthen these organizations.